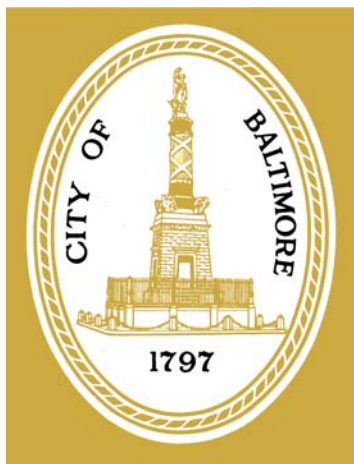


PERFORMANCE AUDIT REPORT

CITY OF BALTIMORE
DEPARTMENT OF RECREATION AND PARKS
TEMPORARY ASSISTANCE TO NEEDY FAMILIES
MAY 2003



City of Baltimore
Department of Audits

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

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May 28, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

This report conveys the results of our audit of the Department of Recreation and Parks – Temporary Assistance to Needy Families (TANF) Program for the period from November 1, 1999 through December 31, 2000. The audit was initiated after an anonymous complaint of alleged improprieties in the use of TANF funds. Our objective was to determine whether TANF funds were spent in accordance with the interagency agreement and the proposed purchase of services contract.

BACKGROUND:

On November 24, 1999, the Department of Recreation and Parks (Department) entered into an interagency agreement between the Maryland State Department of Human Resources and Baltimore City Department of Social Services to provide recreation services and human development programs for families in need. After an approved extension, performance of this agreement was for the period from November 1, 1999 through December 31, 2000 and for total costs not to exceed \$3,100,000.

Under the agreement, the Department was to provide programs and services to families who are current or former recipients of Aid for Dependent Children. Funding for this program is directly related to the Welfare Reform Act. According to the Department, 95% of its participants are families eligible for benefits as provided by the Temporary Assistance of Needy Families Program.

The Department proposed to provide programs and services that support the purposes of the TANF program to current, former, and potential welfare recipients. TANF programs include services such as the prevention and reduction of unwanted pregnancies, prevention of alcohol and substance abuse, and activities that help end dependency by promoting job preparation, employment and work opportunities, and the maintenance of two parent households.

The Department billed the Department of Social Services monthly for reimbursement of ninety-five percent (95%) of incurred expenditures. Although the purchase of services agreement did not commence until approximately three months after the start date, the Department received approval from the Department of Social Services to retroactively bill incurred expenditures. Consequently, the Department needed to expedite the use of the funds prior to the contract termination date. The Department billed and was reimbursed for a total of \$2,562,083 under this contract. Upon completion of the contract, a final financial report was submitted to Department of Social Services.

OBJECTIVES, SCOPE AND METHODOLOGY:

The objective of this audit was to determine if TANF funds were spent in accordance with the interagency agreement and the proposed purchase of services contract. Our audit period was from November 1, 1999 through December 31, 2000.

The scope of this audit did not include the review and evaluation of performance projections, and measures and outcomes that were indicated in the proposed purchase of service contract.

This audit was conducted in accordance with *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures we considered necessary in the circumstances.

In conducting this audit, we:

- Obtained an understanding of the contractual agreements and related pertinent requirements to administer the program.
- Reviewed the financial records of the program and reconciled the monthly invoices to the City's accounting records.
- Reviewed disbursement activity (on a test basis) to determine compliance with the contract agreement and whether funds were spent for the purposes intended.
- Determined whether vendor invoices or other suitable documentation supported disbursement activity.
- Verified the existence of inventory assets (on a test basis), specifically equipment.

AUDIT RESULTS:

Our testing of the disbursement activity and equipment inventory disclosed that the TANF funds were generally spent in accordance with the interagency agreement and purchase of services contract. However, our audit noted several instances of accounting and billing discrepancies.

The Department used four separate City fund account numbers to accumulate related TANF expenditures. As of May 13, 2003, costs totaling \$1,934,215 had not been transferred to the designated fund account number for the TANF program. Because the costs were accumulated in so many accounts, costs totaling \$13,367 were included twice in various line item categories in the financial report. An invoice totaling \$5,850 was paid twice and was subsequently included in the program's financial report twice. Costs were billed to the Department of Social Services for reimbursement at the full amount (100%) instead of 95%. The net amount of this difference totaled \$3,509 (5% of \$70,170). The Department also billed costs totaling \$5,951 that could not be identified in the City's accounting records.

As the TANF program was concluding on December 31, 2000, without an option for extension, the Department attempted to expend the funds before the agreement termination date. Numerous encumbrances totaling \$510,602 were established in the City's accounting records prior to December 31, 2000. The Department's invoices for reimbursement (billings) included these encumbrances. The difference between the Department's billings for reimbursement and actual expenditures amounted to \$14,556.

The total of accounting and billing differences amounted to \$43,233.

<p align="center">DEPARTMENT OF RECREATION AND PARKS TANF Program SUMMARY OF ACCOUNTING AND BILLING DIFFERENCES</p>	
<u>Reason</u>	<u>Amount</u>
Duplicate Cost	\$13,367
Duplicate Payments	5,850
Cost Billed at 100% vs. 95%	3,509
Unidentified Billings	5,951
Encumbrances in Excess of Expenditures	<u>14,556</u>
Total Billings in Excess of Expenditures	<u>\$43,233</u>

A second issue involved the timeliness of liquidation of encumbrances. The encumbrances included eighteen blanket purchase orders totaling \$89,100 that were charged to the recreation equipment and recreation supplies line items. Of these, encumbered obligations totaling \$12,928 were liquidated beyond the reasonable 90-day liquidation period for obligations. The period to liquidate these obligations ranged from 2 to 292 days in excess of the 90-day period. Two of the \$4,950 encumbered purchase orders/obligations remain unspent. The chart below provides a summary of the liquidation of the eighteen purchase orders.

DEPARTMENT OF RECREATION AND PARKS TANF Program LIQUIDATION OF ENCUMBERED PURCHASE ORDERS					
Category	PO Number	Disbursed	Liquidated> 90 days	Number of Transactions > 90 days	Average Days > 90 days
Recreation Equipment	129112	\$ 3,680			
Recreation Equipment	129114	3,952			
Recreation Equipment	129115	5,243			
Recreation Equipment	129117	4,950			
Recreation Equipment	161900	4,722			
Recreation Supplies	129101	5,264			
Recreation Supplies	129102	5,091	\$ 1,001	4	9
Recreation Supplies	129103	5,068	3,679	16	163
Recreation Supplies	129104	3,564	3,135	11	117
Recreation Supplies	129105	2,939	1,707	5	46
Recreation Supplies	129106	4,563			
Recreation Supplies	129108	2,827	181	1	2
Recreation Supplies	129109	5,357			
Recreation Supplies	129111				
Recreation Supplies	129113	1,481	1,481	8	292
Recreation Supplies	129116	4,988	1,095	4	25
Recreation Supplies	129118				
Recreation Supplies	161899	3,083	649	2	197
		\$ 66,772	\$ 12,928	51	106
Total Encumbrance of 18 Purchase Orders @ \$4,950 each = \$89,100					

RECOMMENDATION:


We recommend that the Department of Recreation and Parks submit a revised financial report to the Department of Social Services and return excess TANF funds totaling \$43,233 that resulted from accounting and billing differences. We also recommend that the Department transfer and consolidate all related TANF expenditures into the designated fund account and that the City's accounting records be corrected.

The Department of Recreation and Parks' response to our audit is included as an attachment to this report.

We appreciate the cooperation and assistance provided by the staff members of the Department of Recreation and Parks – Fiscal and Recreation Services Divisions.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

FROM	NAME & TITLE	Kimberley Amprey Flowers, Interim Director	CITY of BALTIMORE MEMO (410) 396-6131	
	AGENCY NAME & ADDRESS	Department of Recreation and Parks 3001 East Drive – Druid Hill Park		
	SUBJECT	Performance Audit Report – TANF Grant		

TO

DATE:

Yovanda D. Brooks, CPA
City Auditor
Department of Audits
City Hall, 321 North Holliday Street
Baltimore, MD 21202

May 21, 2003

This memo is in response to the findings in the Performance Audit Report dated May 13, 2003 for the TANF grant (Temporary Assistance to Needy Families). The Department of Audits recommended that the Department of Recreation and Parks submit a revised financial report to the Department of Social Services and return excess TANF funds that resulted from accounting and billing differences. The Department also recommended that we consolidate all related TANF expenditures into the designated fund account.

Response/Corrective Action:

The agency is currently in the process of revising the accounting records and will subsequently submit an amended financial report to the Department of Social Services. We have contacted the Department of Social Services with regards to the overpayments of funds, and we will formally request that the overpayment of funds be applied to or substituted for other eligible costs expended during the grant period.

The Department of Recreation and Parks is complying with the recommendations set forth by the Baltimore City Department of Audits.

c: Stephanie Parham Brown, Division Chief III